Department of Finance Canada

Report on Plans and Priorities

2009–10

James M. Flaherty
Minister of Finance

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Minister's Message

The Honourable
James M. Flaherty, P.C., M.P.

Since last year's Report on Plans and Priorities (RPP) for the Department of Finance Canada was issued, the global economic and fiscal climate has changed dramatically.

Canada is being buffeted by gales blowing in from around the world, including recession in the U.S., Japan, and many of the Euro-zone countries; ongoing financial market volatility; and sharp declines in commodity prices.

This government has already made great progress in responding to the worsening global economic downturn. We have reduced debt, cut taxes, and made historic investments in infrastructure, science and technology, education, and training.

Canada's Economic Action Plan: Budget 2009 further builds on our position of strength. It provides temporary and effective economic stimulus to help Canadian families and businesses deal with short-term challenges. Our investments will build Canada's long-term capacity so that when the global recession eases we will emerge even stronger.

Nevertheless, the year ahead will be a challenging one for the Department of Finance Canada and, indeed, the entire federal government. However, as this Report on Plans and Priorities demonstrates, we are focussing on measures that foster sound fiscal management and stimulate sustainable economic growth.

We are scrutinizing every dollar to ensure that investments by the federal government are affordable. Our spending decisions will recognize the need to invest in our country at a time when the economy needs a boost. And we will do so while avoiding the long-term, structural deficits Canadians have worked hard to eliminate and never want to see return.

We are rolling up our sleeves and taking all necessary steps to keep our economy strong through these tough times. I am confident that, guided by the initiatives highlighted in this Report on Plans and Priorities, we will overcome whatever hardships may lie ahead in the next year, and beyond.

Section I: Departmental Overview

The Department of Finance Canada, established in 1867, is one of the original departments of the Government of Canada. Originally, the Department's primary functions—conducted by a staff of only 28 officers, clerks, and messengers—were bookkeeping, administering the collecting and spending of public monies, and servicing the national debt.

Today, as we move towards the Department's and the country's 150th anniversary, the Department continues to play a vital role in helping the Government of Canada develop the social, tax, and economic policies that will support the standard of living and quality of life of Canadians, their families, and their communities in the years to come—and it does so as one of the government's smallest departments.

Raison d'être

The Department is committed to making a difference for Canadians by helping the Government of Canada develop and implement strong and sustainable economic, fiscal, tax, social, security, international, and financial-sector policies and programs. It plays an important role in ensuring that government spending is focussed on results and delivers value for taxpayer dollars. The Department interacts extensively with other federal departments and agencies and plays a pivotal role in the analysis and design of public policy across a wide range of issues affecting Canadians.

Responsibilities

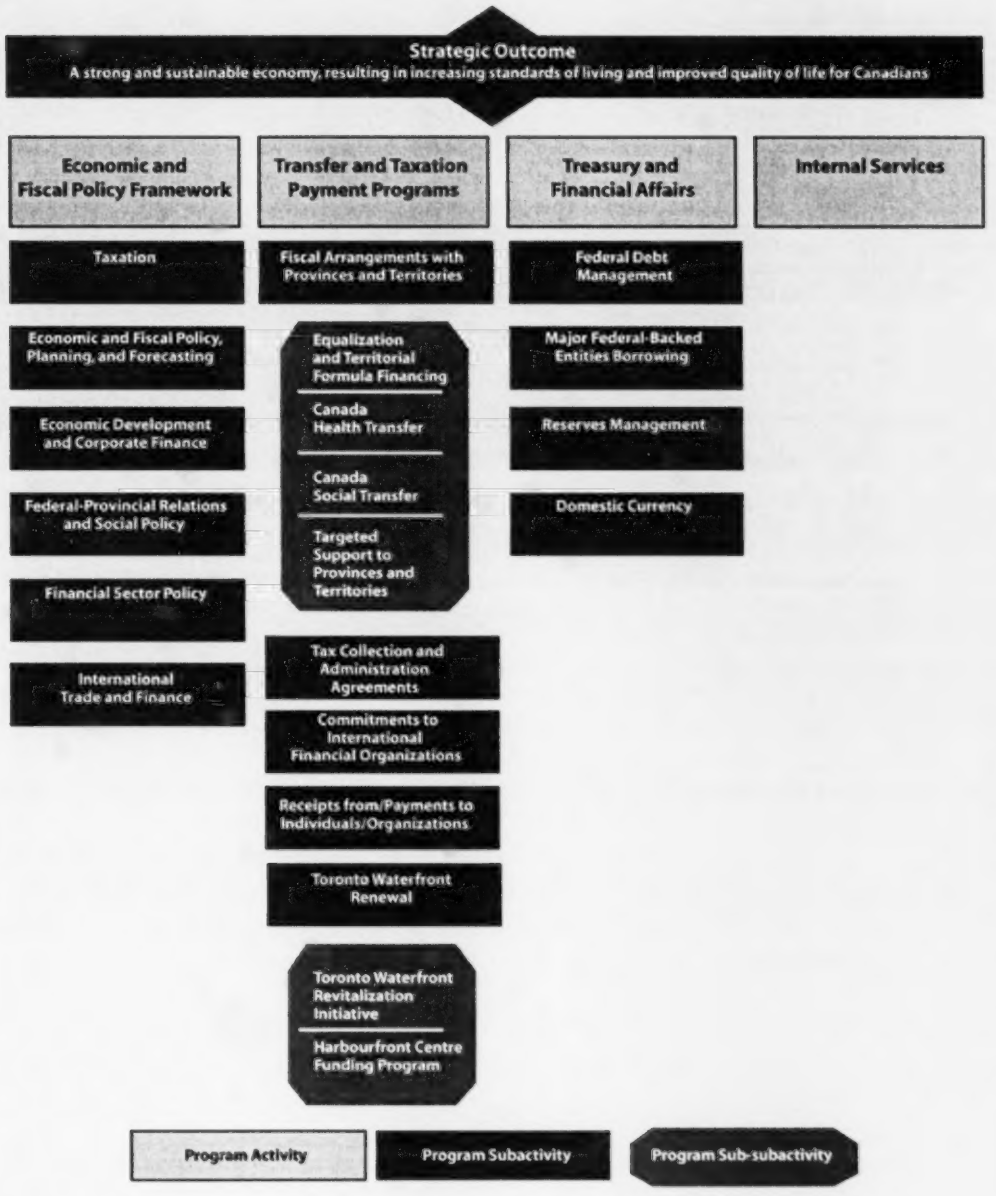
The Department of Finance Canada's responsibilities include the following:

- preparing the federal budget;
- developing tax and tariff policy and legislation;
- managing federal borrowing on financial markets;
- administering major transfers of federal funds to the provinces and territories;
- developing regulatory policy for the country's financial sector; and
- representing Canada within international financial institutions and groups.

The Department also plays an important role as a central agency working with other departments to ensure that the government's agenda is carried out and that ministers are supported with first-rate analysis and advice.

Strategic Outcome and Program Activity Architecture (PAA)

The Department of Finance Canada provides effective economic leadership with a clear focus on one strategic outcome.


Strategic Outcome
A strong and sustainable economy, resulting in increasing standards of living and improved quality of life for Canadians
Economic and Fiscal Policy Framework
Transfer and Taxation Payment Programs
Treasury and Financial Affairs
Internal Services
Taxation
Economic and Fiscal Policy, Planning, and Forecasting
Economic Development and Corporate Finance
Federal-Provincial Relations and Social Policy
Financial Sector Policy
International Trade and Finance
Fiscal Arrangements with Provinces and Territories
Equalization and Territorial Formula Financing
Canada Health Transfer
Canada Social Transfer
Targeted Support to Provinces and Territories
Tax Collection and Administration Agreements
Commitments to International Financial Organizations
Receipts from/Payments to Individuals/Organizations
Toronto Waterfront Renewal
Toronto Waterfront Revitalization Initiative
Harbourfront Centre Funding Program
Federal Debt Management
Major Federal-Backed Entities Borrowing
Reserves Management
Domestic Currency
Program Activity
Program Subactivity
Program Sub-subactivity

Operating environment and risk analysis

In late 2008, the global economic outlook deteriorated markedly. This was particularly evident in the U.S. and other advanced economies but is also increasingly apparent in emerging market economies. There is now a broad consensus that the Canadian economy entered a recession in the fourth quarter of 2008.

Over the coming years, the state of the economy will remain a major issue given the current worldwide economic slowdown and financial markets turmoil. The global financial crisis and the further weakening of the U.S. economy will inevitably continue to affect the Canadian economy.

Overall, however, the domestic economic situation remains better than in most other major industrialized countries, in particular the U.S. Canada's banks and other financial institutions are sound and well capitalized. The financial position of Canadian households and businesses remains solid, and Canada has maintained the strongest fiscal performance of all G7 countries.

The main risk to the global economy is that financial market dislocations could be more prolonged than currently expected, resulting in a longer period of high business and consumer borrowing costs and reduced credit availability. Should this transpire, global consumer spending and business investment would be weaker than currently forecast.

For Canada, the risk is compounded by the risk stemming from low and volatile commodity prices. As a result, there is considerable uncertainty about how commodity prices will affect nominal income growth in Canada.

An aging population, the volatility of both resource prices and the value of the Canadian dollar, and the increasingly uncertain economic outlook will, combined, put added pressure on government programs and services. These will require careful management and greater scrutiny in order to ensure that they remain accessible, sustainable, and effective for Canadians.

Operational priorities

The current global economic situation emphasizes the importance of bolstering Canada's solid economic fundamentals. To this end, the Department of Finance Canada will focus on four key ongoing operational priorities for 2009–10.

Sound fiscal management

Over the planning period, the Department of Finance Canada will continue to play a major role in ensuring that the government continues to manage spending responsibly, maximizes the benefits of government assets to Canadians, and that measures are taken to ensure the effectiveness and to reduce the cost of government operations.

The Department will also work to protect Canada's macroeconomic framework and ensure the sustainability of Canada's social safety net. Maintaining a sound fiscal framework, including a competitive, efficient, and fair tax system, is critical in uncertain economic times.

Finally, the Department will continue to manage Government of Canada funds in accordance with the guiding principles of transparency, regularity, liquidity, and prudence. Sound management of public finances provides significant benefits to Canadians and businesses in Canada. It gives the government the strength to withstand fiscal and economic challenges and ensures that the costs of investments and services are not passed on to future generations.

Sustainable economic growth

The Department promotes sustainable economic growth by developing and implementing policies and programs that provide appropriate support for the drivers of productivity growth: business investment, public infrastructure, human capital, innovation, and financial market governance.

As the government's source of analysis and advice on economic and fiscal matters, the Department will continue to help ensure that policies and programs create the conditions necessary for sustainable long-term economic growth and help the country emerge from the global economic downturn.

Sound social policy framework

The government supports social programs delivered by provinces and territories—including social assistance, social services, post-secondary education, and programs for children—by means of transfers to provincial and territorial governments.

Through its analysis and advice, the Department contributes to the government's efforts to meet its objectives for the quality of Canada's communities, health care, education, and social safety net programs and to ensure equality of opportunity for all citizens.

The Department also designs and administers transfers to provinces and territories and undertakes regular reviews and consultations with them, as well as with interested stakeholders, academics, and other experts.

Effective international influence

The Department is working with other G20 countries to address the causes of the current international financial crisis, determine actions to stabilize financial markets and growth, and reform the global financial system to prevent a similar crisis from occurring again.

The Department will also continue to advance Canada's leadership in a wide range of international financial institutions and economic organizations in order to strengthen global growth and stability, promote Canada's trade and investment interests, help foster development aimed at reducing global poverty, endorse policies and programs that support maintaining secure and open borders, and further international standards to prevent abuses to the international financial system, including anti-terrorist financing.

Finally, the Department will assist the government in creating economic conditions that encourage Canadian firms to invest, flourish, and take advantage of trade and foreign investment.

More information about the Department of Finance Canada's priorities can be found in *Canada's Economic Action Plan: Budget 2009*.[1]

Planning summary[2]

Financial Resources ($ thousands)

2009–10	2010–11	2011–12
83,240,883.9[3]	85,592,129.3	89,757,232.9

Human Resources (Full-Time Equivalent—FTE)

2009–10	2010–11	2011–12
765	765	765

1. Please visit http://www.budget.gc.ca.

2. The financial figures presented in the 2009–10 RPP are consistent with the Main Estimates. They do not include initiatives from Budget 2009 or associated interest costs.

3. Includes statutory items not listed in the Main Estimates, such as payment of liabilities previously transferred to revenue, net loss on exchange, spending of proceeds from the disposal of surplus Crown assets, payments pursuant to the *Halifax Relief Commission Pension Continuation Act*, and refunds of amounts credited to revenue in previous years.

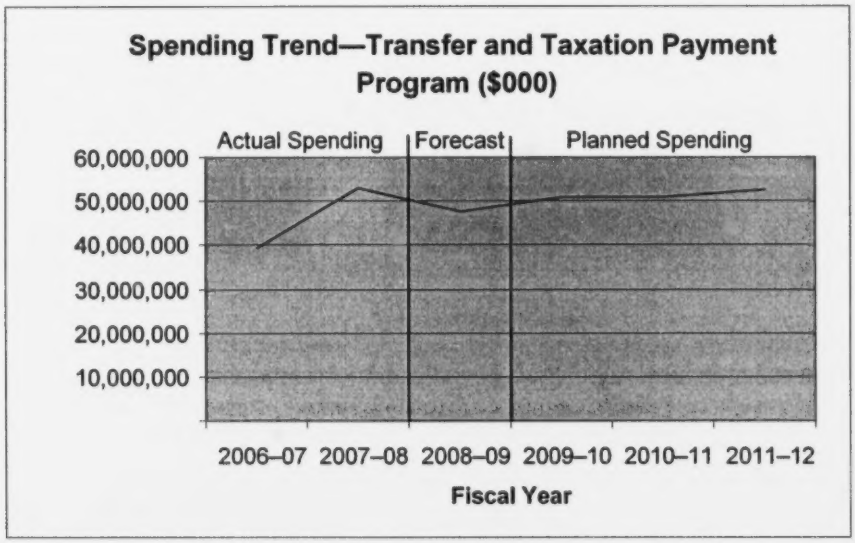
Strategic Outcome: A strong and sustainable economy, resulting in increasing standards of living and improved quality of life for Canadians	
Performance Indicator[4]	**Targets**
Canada's medium-term fiscal framework	• Keep net debt-to-GDP ratio below that of other G7 countries
Competitiveness, efficiency, and fairness of Canada's tax system	• A tax system that raises the required revenue in a manner that compares favourably to other G7 countries
Soundness, efficiency, and competitiveness of Canada's financial sector	• A healthy, stable financial sector that serves the needs of Canadians

Program Activity (PA)	Forecast Spending	Planned Spending			Alignment with Government of Canada Outcomes
	2008–09	2009–10	2010–11	2011–12	
PA 1: Economic and Fiscal Policy Framework	131,935.2	65,049.3	59,614.8	59,453.8	• Strong economic growth
PA 2: Transfer and Taxation Payment Programs	47,865,330.9	50,743,524.6	50,716,302.2	52,657,672.9	• All outcomes
PA 3: Treasury and Financial Affairs	32,027,701.2	32,389,701.2	34,773,701.2	36,997,701.2	• All outcomes
PA 4: Internal Services	—	42,613.8	42,511.0	42,405.0	• All outcomes
Total Planned Spending		83,240,888.9	85,592,129.3	89,757,232.9	

4. The performance indicators and targets presented in the 2009–10 RPP have been adjusted to reflect Budget 2009. Further changes will be made in 2009 when the Department updates its performance measurement framework. These alterations will be reported on in the 2009–10 departmental performance report.

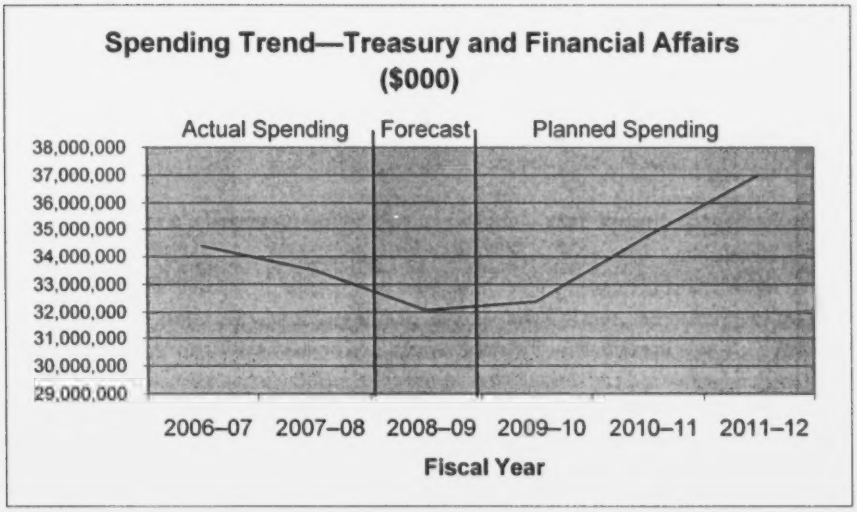
Expenditure profile

For the 2009–10 fiscal year, the Department of Finance Canada plans to spend $83.2 billion to meet the expected results of its program activities and contribute to its strategic outcome. The figures below illustrate the Department's spending trend by program activity from 2006–07 to 2011–12.

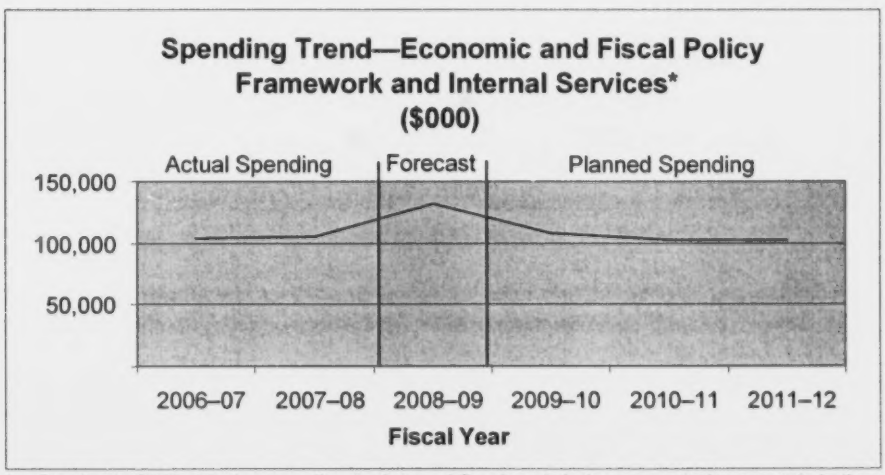


The increase in actual spending for Transfer and Taxation Payment Programs from 2006–07 to 2007–08 is mainly due to increases of $3.8 billion in transfer payments (Fiscal Equalization, Canada Social Transfer, and Canada Health Transfer), $4.6 billion in one-time statutory payments, and $4.8 billion in loans to Crown corporations.

The increase in forecast and planned spending is due to increased transfer payments for Fiscal Equalization, Canada Social Transfer, and Canada Health Transfer.



Treasury and Financial Affairs includes domestic coinage and interests and other costs related to the public debt. The variation in actual spending from 2006–07 to 2007–08 is mostly due to lower interest rates and reductions in market debt. The forecast and planned spending vary depending on the forecast interest rates.



* Starting in 2009–10, the spending for Internal Services is being presented separately in the various tables of the RPP, but it is combined with the Economic and Fiscal Policy Framework program activity in this graph in order to show comparable data.

Spending for the Economic and Fiscal Policy Framework and Internal Services program activities mainly includes operating expenditures and the employee benefits plan. The increase in forecast spending in 2008–09 is mainly due to time-limited funding for two new panels and an advertising campaign, partially offset by a reduction for the strategic review allocation. Planned spending for 2009–10 includes $5 million in time-limited funding for an advertising campaign.

Voted and statutory items

($ thousands)

Vote No. or Statutory Item	Wording	2009–10	2008–09
		Main Estimates	Main Estimates
1	Operating expenditures[1]	93,603	89,793
5	Grants and contributions[2]	331,886	374,800
(S)	Minister of Finance—salary and motor car allowance	78	76
(S)	Territorial Financing (*Part I.1—Federal-Provincial Fiscal Arrangements Act*)[3]	2,497,926	2,312,939
(S)	Payments to International Development Association[4]	384,280	318,280
(S)	Contributions to employee benefits plan[5]	11,549	11,910
(S)	Purchase of domestic coinage[6]	150,000	147,000
(S)	Interest and other costs[7]	31,868,000	33,683,000
(S)	Statutory subsidies (*Constitution Acts, 1867–1982*, and other statutory authorities)	32,000	32,000
(S)	Fiscal Equalization (*Part I—Federal-Provincial Fiscal Arrangements Act*)[8]	16,086,136	13,619,924
(S)	Canada Health Transfer (*Part V.1—Federal-Provincial Fiscal Arrangements Act*)[9]	23,987,062	22,629,304
(S)	Canada Social Transfer (*Part V.1—Federal-Provincial Fiscal Arrangements Act*)[10]	10,860,781	10,557,729
(S)	Wait Times Reduction Transfer (*Part V.1—Federal-Provincial Fiscal Arrangements Act*)[11]	250,000	0
(S)	Youth Allowances Recovery (*Federal-Provincial Fiscal Revision Act, 1964*)[12]	(688,935)	(717,374)
(S)	Alternative Payments for Standing Programs (*Part VI—Federal-Provincial Fiscal Arrangements Act*)[13]	(3,124,006)	(3,256,839)
(S)	Incentive for provinces to eliminate taxes on capital (*Budget Implementation Act, 2007*)[14]	123,000	0

Vote No. or Statutory Item	Wording	2009–10	2008–09
		Main Estimates	Main Estimates
–	Items not required Payment to Ontario (*Budget Implementation Act, 2007*)[15]	0	150,000
	Total budgetary	**82,863,360**	**79,952,542**
L10	In accordance with the *Bretton Woods and Related Agreements Act*, the issuance and payment of non–interest bearing, non-negotiable demand notes in an amount not to exceed $384,280,000 to the International Development Association	0	0
(S)	Payments and encashment of notes issued to the European Bank for Reconstruction and Development—Capital subscriptions[16]	1,749	3,075
	Total non-budgetary	**1,749**	**3,075**
	Total Department	**82,865,109**	**79,955,617**

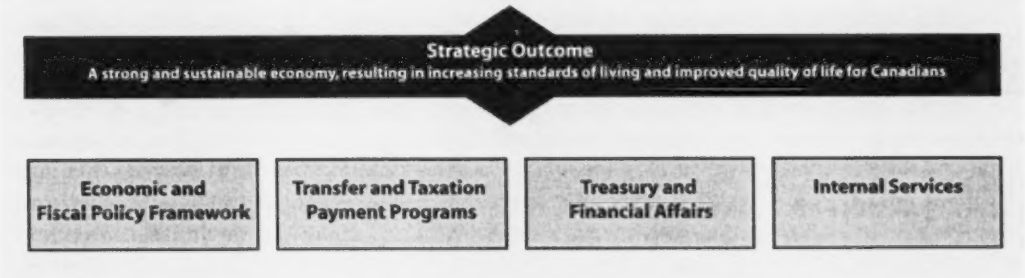
Notes:

1. The increase of $3.8 million or 4.2 per cent in operating expenditures is mainly due to increases for advertising campaigns, securities regulations, corporate services funding, and collective agreements and offset primarily by the strategic review reallocations, transfer of collective agreement provisions to the Treasury Board of Canada Secretariat, and cost-efficiency savings. The transfer of the Toronto Waterfront Revitalization Initiative (TWRI) and Harbourfront Centre from Environment Canada also contributed to the increase in the operating budget.
2. The decrease of $42.9 million or 11.5 per cent in grants and contributions is mainly due to reprofiled amounts from 2007–08 to 2008–09 of certain grants, updated estimates of debt relief in 2009–10, and completion of contribution payments in 2008–09. The decrease is partly offset by new contributions related to the TWRI.
3. The increase of $185 million in transfer payments for Territorial Formula Financing (TFF) is a result of the new formula for TFF that was announced in Budget 2007.
4. The increase of $66 million reflects the required amounts for the first note encashment of International Development Association (IDA) agreement No. 15. This note will be issued in January 2009 (fiscal year 2008–09) and encashed in 2009–10.
5. The decrease in contributions to the employee benefits plan reflects changes in salary costs included in operating expenditures.
6. The increase of $3 million or 2.04 per cent reflects the increased funding required to cover the cost of producing and distributing the domestic coinage to meet the needs of the economy.
7. Forecast public debt charges have decreased due mainly to a downward revision of the expected average interest rate on the stock of interest-bearing debt.
8. The increase of $2.466 billion or 18.11 per cent in transfer payments for Equalization is a result of the new formula for Equalization that was announced in Budget 2007. In November 2008, the Minister of Finance established a sustainable growth path for the Equalization program and announced an Equalization level for 2009–10 of $14.185 billion. The legislation was not introduced before prorogation and will be tabled after Parliament resumes. Consequently, the figure in the Main Estimates, $16.1 billion, is based on the formula that is currently legislated.
9. The increase of $1.358 billion reflects the 6-per-cent increase in funding commitments in the September 2004 10-Year Plan to Strengthen Health Care.
10. The increase of $303.1 million or 2.9 per cent represents the legislated amount for the Canada Social Transfer following new commitments set out in Budget 2007.

11. Budget 2005 committed to a transfer of $5.5 billion for wait times reduction. Of this $5.5 billion, $4.25 billion was provided to provinces and territories by way of third-party trusts. The remaining $1.25 billion will be paid in bimonthly instalments totalling $250 million per year between 2009–10 and 2013–14.
12. The decreased recovery of $28.4 million is related to a decrease in the estimated value of personal income tax points.
13. The decreased recovery of $132.8 million is attributable to a decrease in the value of personal income tax points.
14. All estimated costs are based on provincial announcements of capital tax reductions to date.
15. The funding announced in Budget 2007 to assist the province of Ontario in the transition to a single corporate tax administration included two payments: one in 2007–08 and the other in 2008–09.
16. The decrease reflects the agreed schedule of Canada's payments and encashments for the European Bank for Reconstruction and Development's 1998 capital subscription increase and the effects of exchange rate changes.

Section II: Analysis of Program Activities by Strategic Outcome

The Department of Finance Canada provides effective economic leadership with a clear focus on one strategic outcome, which all program activities support.


Strategic Outcome
A strong and sustainable economy, resulting in increasing standards of living and improved quality of life for Canadians
Economic and Fiscal Policy Framework
Transfer and Taxation Payment Programs
Treasury and Financial Affairs
Internal Services

The following section describes the Department of Finance Canada's program activities and identifies the expected results, performance indicators, and targets for each. This section also identifies how the Department plans to meet the expected results and the financial and non-financial resources that will be dedicated to each program activity.

Program Activity 1.1: Economic and Fiscal Policy Framework

Program Activity 1.1: Economic and Fiscal Policy Framework					
Human Resources (FTEs) and Planned Spending ($ thousands)					
2009–10		**2010–11**		**2011–12**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
477	65,049.3	477	59,614.8	477	59,453.8

Program Activity Expected Results	Performance Indicators	Targets
Effective management of the government's fiscal framework	Budgetary balance Debt-to-GDP ratio	Respect Budget 2009 projections for return to budgetary surplus Keep program spending growth in line with Budget 2009 initiatives
Canada has a sound, efficient, and competitive financial sector	Soundness, efficiency, and competitiveness of Canada's financial sector	Healthy, stable financial sector that serves the needs of Canadians
Canada has a competitive, efficient, and fair tax system	Competitiveness, efficiency, and fairness of Canada's tax system	Tax system that raises the required revenue in a manner that compares favourably to other G7 countries

Summary

Economic and fiscal policy making is the core function of the Department of Finance Canada. This program area prepares the government's budget and develops policy proposals to maintain a strong and sustainable economy. Sustainable economic and fiscal policies in support of Canada's fiscal framework, tax system, and financial sector are essential to a strong economy.

This program activity is the primary source of advice and recommendations to the Minister of Finance regarding issues, policies, and programs of the Government of Canada in the areas of economic, fiscal, and social policy; federal-provincial-territorial relations; financial affairs; taxation; and international trade and finance. The work conducted in this program area involves extensive research, analysis, and consultation and collaboration with partners in both the public and private sectors. In addition, it handles the negotiation of agreements and drafting of legislation.

To help develop first-rate policy and advice to ministers, the Department works with the public and Canadian interest groups; departments, agencies, and Crown corporations; provincial, territorial, and Aboriginal governments; financial market participants; the international economic and finance community; and the international trade community.

The aim of this program area is to support the fiscal and economic framework that generates revenue for expenditures in line with the budget plan, as well as for the financial operations of the Government of Canada.

Planning highlights

Through the Economic and Fiscal Policy Framework program activity, the Department of Finance Canada will continue to manage economic and fiscal policy issues in response to the uncertain economic outlook. This activity will primarily involve implementing the measures proposed in Budget 2009. It will also involve preparing legislation and regulations related to adjustments in major transfer programs and other legislative requirements under the responsibility of the Minister of Finance.

The Department will work with the responsible federal agencies to improve access to financing for consumers and businesses and strengthen the financial system.

Under the Extraordinary Financing Framework (EFF), the Department will take action to improve access to financing for Canadian households and businesses. Action under this framework will be taken when it is necessary to correct market failures in segments of the credit markets, mitigate systemic risks, or prevent possible competitive disadvantage to Canadian firms as a result of policy decisions made by foreign governments.

Specific initiatives that will be supported by the Department under the EFF include the expansion of the Insured Mortgage Purchase Program, the extension of the Canadian Lenders Assurance Facility, the creation of the Canadian Secured Credit Facility, and the Canadian Life Insurers Assurance Facility, as well as an increase in the flexibility and capacity of Crown corporations.

To strengthen Canada's financial system, the Department will support measures to enhance the government's ability to safeguard financial stability in Canada and address potential problems in credit markets as they arise.

The Department will also work in collaboration with other federal entities and its G7 and G20 counterparts to stabilize financial markets and restore the flow of credit in support of global economic growth.

The Department will support the government's plan, following up on the report of the Expert Panel on Securities Regulation, to work with willing provinces and territories on a Canadian securities regulator that respects constitutional jurisdiction, regional interests and expertise.

The Department will take steps to modernize Canada's financial legislative and regulatory framework through technical amendments to the legislation and consultations on financial leasing powers. Consumers of financial products will be supported by developing regulations on credit card and mortgage insurance business practices, as well as developing a national financial literacy strategy.

To address issues in the solvency funding rules arising from the financial market turmoil and other structural concerns about the legislative and regulatory framework pertaining to pension plans, the Department will support consultations on the legislative and regulatory framework for federally regulated pension plans with a view to making permanent improvements before the end of 2009.

The Department will undertake a systematic review of the government's corporate assets, including enterprise Crown corporations, real property, and other holdings.

In the international arena, the Department will do the following: work to conclude World Trade Organization negotiations, Foreign Investment Promotion and Protection Agreements, and bilateral free trade agreements in partnership with other government departments; continue to develop tariff initiatives aimed at enhancing the competitiveness of Canadian industry; prepare for Canada to host the G7 finance minister's meeting and the G8 summit in 2010; develop initiatives for more effective use of international assistance and debt management capacity; develop and promote positions that will lead to effective international cooperation on government support for trade finance; and provide high-quality advice on International Monetary Fund and World Bank initiatives.

To ensure that Canada maintains an efficient and fair tax system, the Department will develop proposals to do the following: make the personal income tax system more competitive for the highly skilled workers, thus helping Canada attract and retain these workers, driving innovation and raising standards of living for all Canadians; and further strengthen Canada's business tax advantage to encourage investment by working with the provinces to make their business tax systems more competitive.

The Department will continue to work with provinces that still have retail sales taxes to identify and evaluate potential areas where changes to the current framework for federal-provincial

harmonization could facilitate provincial movement towards the creation of a more fully modernized and efficient consumption tax system in Canada. The Department will also continue to support the government's efforts to gain provincial cooperation to achieve the goal of a 25-per-cent combined federal-provincial-territorial statutory corporate income tax rate by 2012.

The Department of Finance Canada will continue to implement practices to fulfill its commitment to conduct gender-based analysis (GBA) and related activities in response to two reports prepared by the Standing Committee on the Status of Women. These activities will include offering GBA training, reporting on GBA in the annual departmental performance report, and posting additional examples of good GBA on the Department's intranet site.

Finally, adjustments will be made to the Fiscal Equalization Program in order to enhance its fairness and sustainability. The growth path will reflect a three-year moving average of nominal gross domestic product (GDP) growth, which will help to ensure stability and predictability for both orders of government while still being responsive to changes in economic conditions.

More information about the Department of Finance Canada's priorities can be found in *Canada's Economic Action Plan: Budget 2009*.[5]

Benefits for Canadians

A sound, efficient, and competitive Canadian financial sector is necessary to support the savings and investment needs of individuals, businesses, and the economy as a whole.

The Department's role in preparing the government's annual budget and estimating the size of the budget balance is critical to ensuring that the government contributes to advancing economic growth.

Canadian leadership and influence on international economic, financial, development, and trade issues also increase financial and economic stability. Improvements to the competitiveness, efficiency, and fairness of Canada's tax system encourage investment, promote economic growth, and increases Canadians' standard of living.

Finally, long-term, predictable, formula-based transfers to provinces and territories support improved public services for Canadians, which in turn enhance Canada's productivity and economic prosperity.

5. Please visit http://www.budget.gc.ca.

Program Activity 1.2: Transfer and Taxation Payment Programs

Program Activity 1.2: Transfer and Taxation Payment Programs					
Human Resources (FTEs) and Planned Spending ($ thousands)					
2009–10		**2010–11**		**2011–12**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
12	50,743,524.6	12	50,716,302.2	12	52,657,672.9
Program Activity Expected Results		**Performance Indicators**		**Target**	
Payments enable Canadian provinces and territories to provide their residents with public services; payments to international organizations promote the economic advancement of developing countries		Payments are made on time and according to levels and formulas set out in legislation		100 per cent	

Summary

This program activity administers transfer and taxation payments to provinces and territories. Payments are made in accordance with legislation and negotiated agreements to enable Canadian provinces and territories to provide their residents with public services. This program activity also covers commitments and agreements with international financial institutions aimed at aiding the economic advancement of developing countries. These commitments can result in payments, generally statutory transfer payments, to a variety of recipients, including individuals, organizations, and other levels of government.

Planning highlights

To help Canadian provinces and territories provide their residents with reasonably comparable levels of public services at reasonably comparable levels of taxation, the Department will undertake a number of activities related to transfer payments. These include the following: continuing to implement further data refinements to improve the calculation of major transfer entitlements; implementing changes to the Fiscal Equalization Program to enhance fairness and ensure ongoing, sustainable growth; and ensuring that agreements with provinces, territories, and Aboriginal governments meet policy and administrative objectives.

The Department will continue to administer several important loans and deferral arrangements currently in place, including the Equalization Repayable Floor loan and the deferral of the effects of Census 2001 and 2002 taxation data (Equalization and Canada Health and Social Transfer).

The Department will also conduct an evaluation of Canada's participation in international debt relief initiatives to ensure that they are consistent with departmental and government-wide priorities.

The Department will administer the government's contributions to the Toronto Waterfront Revitalization Initiative (TRWI),[6] including the agreement with Harbourfront Centre. The purpose of the TRWI is to revitalize Toronto waterfront through investments in both traditional infrastructure, such as local transportation and sewers, and urban development of parks and green spaces and tourism-related facilities.

More information about the Department of Finance Canada's priorities can be found in *Canada's Economic Action Plan: Budget 2009*.[7]

Benefits for Canadians

Equalization payments are made to eligible provincial governments in fulfillment of the constitutional commitment to ensuring that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation. Territorial Formula Financing achieves the same objective for all three territorial governments in recognition of the unique circumstances in the North.

The Canada Health Transfer (CHT) provides support for health care through cash and tax point transfers to provincial and territorial governments. The CHT supports the government's commitment to the principles of comprehensiveness, universality, portability, accessibility, and public administration and the prohibitions against user fees and extra-billing.

The Canada Social Transfer (CST) provides equal per-capita cash to provincial and territorial governments to assist them in financing social programs, post-secondary education, and programs for children. The CST gives provinces and territories the flexibility to allocate payments among supported areas according to provincial priorities. It also supports the federal government's commitment to prohibiting minimum residency requirements for social assistance.

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6. The Department of Finance Canada has assumed federal responsibility for the management and oversight of two separate but linked contribution programs to the Toronto waterfront:

   - The Toronto Waterfront Revitalization Initiative (TWRI) is a $1.5-billion initiative with investments of $500 million from each of the Government of Canada, the Province of Ontario, and the City of Toronto. The purpose of the TWRI is to revitalize the Toronto waterfront through investments in both traditional city-building infrastructure, such as local transportation and sewers, and the more contemporary urban development of parks and green spaces, tourism-related facilities, underused post-industrial areas, and so on.

   - The Harbourfront Centre Funding Program provides support to Harbourfront Centre, a not-for-profit, provincially incorporated organization created in 1990 to manage cultural and educational programming activities on the Toronto waterfront. Program funding helps cover Harbourfront Centre's operational costs and facilitates the organization's ability to leverage funding from other governments and pursue other revenue-generating strategies.

7. Please visit http://www.budget.gc.ca.

Tax collection agreements with provinces and territories allow the federal government to streamline service and reduce administrative costs by having a single tax form and a single tax collector. Tax collection agreements with Aboriginal governments allow the federal government to vacate a negotiated portion of its GST and personal income tax room, to share it with Aboriginal governments, and to administer Aboriginal tax regimes.

The Department administers Canada's international financial commitments and various related transfer payments. These activities help to reduce the debt load of developing countries, provide grants to the world's poorest countries to support poverty reduction and economic growth, and foster a transition towards open, market-oriented economies.

Investments in sustainable urban development and infrastructure renewal on the Toronto waterfront will result in both social and economic benefits for the Toronto region. The projects that form part of the Toronto Waterfront Revitalization Initiative (TWRI) will bring much-needed economic redevelopment to areas of the city that are currently under used and will draw more economic, social, and cultural activity to the waterfront. In addition, the Harbourfront Centre Funding Program allows Harbourfront Centre to provide tourists and residents with continued access to cultural, recreational, and educational programs and activities.

Program Activity 1.3: Treasury and Financial Affairs

Program Activity 1.3: Treasury and Financial Affairs					
Human Resources (FTEs) and Planned Spending ($ thousands)					
2009–10		**2010–11**		**2011–12**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
30	32,389,701.2	30	34,773,701.2	30	36,997,701.2

Program Activity Expected Results	Performance Indicators	Targets
Prudent and cost-effective management of the government's treasury activities and financial affairs	Consultations with market participants	Timely and useful input obtained for the Debt Management Strategy
	Required authorities obtained and risk limits respected	Governor in Council approval of aggregate borrowing limit; exposure limits respected; action taken where warranted
	Debt Management Strategy and Debt Management Reports, which support transparency and accountability	Timely and useful information for Parliament and the public; reports tabled within the deadlines established under the *Financial Administration Act*
	Successful operations	Effective operations ensuring sufficient funds are available to support government and Crown operations

Summary

Canada's debt and reserves management activities include the funding of government operations, which involves the payment of debt service costs and investments in financial assets that are needed to maintain a prudent liquidity position. This program activity supports the ongoing refinancing of government debt coming to maturity, the execution of the budget plan, and other financial operations of the government, including governance of the borrowing activities of major government-backed entities such as Crown corporations. The program area also includes oversight of the system of circulating Canadian currency (banknotes and coins) to meet the needs of the economy.

Planning highlights

Changes in the external environment and in the government's fiscal needs pose strategic and operational challenges for debt and cash management. These challenges are addressed through the maintenance of diversified, flexible borrowing programs.

The main objectives of the 2009–10 federal debt strategy are to raise funding, to refinance maturing debt, and to cover projected 2009–10 financial requirements. These include Budget 2009 fiscal stimulus measures and further actions by the government to inject liquidity into the financial system and help sustain the availability of credit in Canada.

On an ongoing basis, the Department works closely with Crown corporations and other federal entities that engage in borrowing and lending activities backed by the full faith and credit of the government. The Department helps to ensure that their borrowing is cost-effective and that treasury management is in keeping with the leading risk management practices.

The Department provides advice to the minister on the currency system, which involves the production of banknotes by the Bank of Canada and the circulation of coinage by the Royal Canadian Mint. In 2009–10, the Department will review and amend the memorandum of understanding with the Royal Canadian Mint for the provision of domestic coinage. This arrangement allows for predictable and sufficient coinage provision and is reviewed on an annual basis for adjustments and further improvements. Other activities will include improving the coinage system and finalizing, with the Bank of Canada, the design of the next generation of bank notes.

More information about the Department of Finance Canada's priorities can be found in *Canada's Economic Action Plan: Budget 2009* under Annex 4: Debt Management Strategy, 2009–10.[8]

8. Please visit http://www.budget.gc.ca.

Benefits for Canadians

Managing public debt effectively helps keep public debt costs low and financial markets functioning well. Fiscal savings from debt management better positions Canada to weather economic storms, and improves intergenerational equity by ensuring that future generations do not have to pay for the benefits received by their predecessors.

An effective currency system also ensures efficient trade and commerce within Canada.

Program Activity 1.4: Internal Services

Financial Resources ($ thousands)

2009–10	2010–11	2011–12
42,613.8	42,511.0	42,405.0

Human Resources (Full-Time Equivalent—FTE)

2009–10	2010–11	2011–12
246	246	246

Internal Services covers a variety of activities, including human resources, financial management, facilities and asset management, information management, information technology services, legal services, public affairs and communications, and internal audit and evaluation. Internal Services is also responsible for the delivery of the Department's key management priorities.

Implementation of the Integrated Human Resources Plan

Implementation of the 2008–11 Integrated Human Resources Plan will focus attention on three priority areas identified by management and employees: recruitment, employee development, and employee retention. The Plan will inform the development of annual branch-specific business plans and will ensure that the planning process reflects both ongoing and changing requirements.

Implementation of the Department's conflict of interest code

Compliance with the Department's new conflict of interest code (to be finalized in early 2009) will ensure that departmental personnel continue to observe the highest standards of professional ethics and conduct. The recently established office of values and ethics will develop, implement, monitor, and ensure the continuous improvement of frameworks, plans, and processes to meet the obligations of new legislation and policies, including the conflict of interest code.

Transition to dedicated corporate services

The dedicated services transition for the Department's Corporate Services Branch (CSB) was completed on February 1, 2009. The new model will allow corporate services managers to fully focus on the needs of the Department and create clear stewardship and accountability lines for the services provided. It will also allow the branches to deliver services better tailored to specific departmental needs. The number of full-time equivalents was reduced as a result of the transfer of employees to the Treasury Board of Canada Secretariat for those services that are still shared.

Other planning priorities to be undertaken in Internal Services over 2009–10 include the following:

- supporting ongoing communication with the public, partners, and stakeholders about the state of the economy, the current worldwide economic slowdown, and financial markets turmoil; and
- enhancing the timeliness and quality of departmental response to access to information and privacy (ATIP) requests and ensuring that departmental officials have the knowledge and ability to process ATIP requests promptly and accurately.

Section III: Supplementary Information

List of supplementary information tables

The following tables are available on the Treasury Board of Canada Secretariat's website:[9]

- Details of Transfer Payment Programs (TPP)
- Green Procurement
- Sustainable Development Strategy
- Horizontal Initiatives
- Internal Audits
- Evaluations
- Loans, Investments, and Advances (Non-Budgetary)
- Sources of Respendable and Non-Respendable Revenue

9. http://www.tbs-sct.gc.ca/rpp/2009-2010/inst/tbd/st-ts00-eng.asp